

Effect of Performance-Based Budgeting and Financial Reporting Systems on the Performance Accountability of Bekasi Regency Government Agencies

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Abstract

This study aims to determine and analyze the effect of performance-based budgeting and financial reporting systems on the performance accountability of Bekasi Regency Government Agencies. This study uses a quantitative survey method by distributing questionnaires to the finance department in each regional unit of Bekasi Regency. The population in this study were 38 regional work units of Government Agency Performance Units (SKPD) in Bekasi Regency. Determination of the sample with this study using random sampling method so that a sample of 125 people was obtained where 3 to 4 people were in the finance department in each regional unit in Bekasi Regency. The data were analyzed using descriptive statistical analysis and partial least squares analysis (SEM-PLS) with the smart PLS 3.0 software program. The results of this study indicate that performance-based budgeting has a significant effect on the performance accountability of Bekasi Regency Government Agencies. Financial reporting systems has a significant effect on the performance accountability of Bekasi Regency Government Agencies.

Keywords

performance-based budgeting; financial reporting systems; performance accountability



I. Introduction

Based on the Decree of the Head of the State Administration Agency (LAN) No. 239/IX/6/8/2003 concerning Guidelines for Compilation of Performance Accountability Reports for Government Agencies, it explains that the performance accountability of government agencies is the embodiment of the obligation of a government agency to account for the success and failure of the implementation of the organization's mission in achieve the goals and objectives that have been set through a periodic accountability system.

These stages are indicators or requirements for determining accountability for the success and failure of the organization's mission in achieving the goals and objectives that have been set. Implementation of performance accountability of Government Agencies can be influenced by performance-based budgeting, this can be seen from the understanding of performance-based budgeting according to Bastian (2010:202) that performance-oriented budgeting is a budgeting system oriented to organizational output and closely related to the vision, mission and strategic plans of the organization. Performance budgeting allocates resources to programs, not to organizational units alone and uses output measurement as an indicator of organizational performance. In other words, Performance budgeting is a budgeting technique based on consideration of the workload and unit costs of each structured activity.

Performance accountability of government agencies is influenced by performance-based budgeting in making strategic plans (Renstra) which are translated into work plans and budgets (RKA) to produce outputs in the form of achieving the vision, mission, targets, and targets that have been made in the Strategic Plan. The importance of this research is to look at the phenomena that occur in the local government environment, where the performance of the government is currently being highlighted by the community, especially the performance of government agencies whose activities are mostly financed by public funds.

Based on the data, it can be seen that the low performance of the budget at the Bekasi Regency Government Agency Performance Units (SKPD), which percentage does not reach 100%, shows that the planning, implementation and reporting process is still not optimal in implementing performance-based budgeting at the Bekasi Regency SKPD. Errors stem from budget planning that is not in accordance with needs, budget implementation that meets many obstacles, or reporting in the form of government agency performance accountability reports that still do not describe the level of performance achievement in detail in accordance with related regulations and there are still many formats for submitting government agency performance accountability reports. not uniform among Bekasi District SKPDs. It needs to be reviewed every year, so that this does not have an impact on decreasing the level of performance accountability.

To monitor and control the performance of superiors in implementing the predetermined budget, a good financial reporting system is needed. According to Bastian (2010:297) the general purpose of public sector financial reporting is to provide information about the financial position, performance, and cash flows of an entity that is useful for a wide range of users to make and evaluate decisions regarding the allocation of resources used by an entity. entity in its activities to achieve goals. As for the criteria for a good financial reporting system if the Financial Statements are prepared in accordance with Government Accounting Standards (SAP) and Government Agencies publish financial reports described in the financial reporting requirements of public sector organizations (Bastian, 2010:298). From this theory, it can be concluded that the financial reporting system affects the performance accountability of government agencies in monitoring and controlling the performance of superiors in implementing the predetermined budget.

This study aims to determine and analyze the effect of performance-based budgeting and financial reporting systems on the performance accountability of Bekasi Regency Government Agencies.

II. Review of Literature

2.1 Agency Theory

Agency theory describes a contract in which one or more people (principal) orders another person (agent) to perform services on behalf of the principal and authorizes the agent to make the best decisions for the principal. Service quality and innovation are two elements that can build competitive advantage, because the quality of service as a infrastructure that is adequate in providing services, while innovation is applied because consumers want a renewal in the services perceived by consumers, so the end result of service quality and innovation is the creation of competitive advantage (Kusumadewi and Karyono, 2019). Public service standard is a product service performance contract, agreed by both parties: providers and users (Sukesi and Yunus, 2018).

This theory arises due to the existence of a relationship between the principal and the agent. Agents are given certain authority or pre-determined contracts to carry out and complete certain tasks from the principal. Principal is also obliged to provide compensation to agents who have carried out the agreed contract. One of the main assumptions of this agency theory is that the goals of the principal and the agent are different, resulting in conflict. Conflict occurs when the agent does not carry out the principal's orders for his own interests. In this study, the government becomes the agent while the community becomes the principal. Principals want to know all information including investments or funds (Safriansyah, 2019). The implementation of the government is a duty and responsibility that must be done and the community as the principal needs to know the responsibilities of the government as an agent. Accountability reports from the government (agents) are subject to assessment by the community (principals).

According to Ismail et al (2020) Community empowerment, such as the task of socializing the community in the fields of culture, economic politics, maintaining partnership relations with community institutions with other institutions. According to Angelia (2020) In order to implement the development program according to regulations and guidelines, synergy with the community cannot be ignored.

2.2 Budget Theory

According to the National Committee on Governmental Accounting (NCGA) which has now been changed to the Governmental Accounting Standards Board (GASB) in Bastian (2010:191), the budget is a financial operating plan that includes the proposed estimated expenditure, and the expected source of income for finance it within a certain period of time.

According to Rachmat (2010:147) the budget is the result of planning in the form of a list of various integrated activities, concerning revenues and expenditures expressed in units of money within a certain period of time. Meanwhile, according to Halim and Kusufi (2014:191) defines the budget as a document containing performance estimates, both in the form of revenues and expenditures, which are presented in monetary measures that will be achieved in a certain time period and include past data as a form of control and performance appraisal.

2.3 Performance Accountability of Government Agencies

According to Bastian (2010:88) the term accountability comes from the English term accountability which means accountability or circumstances to be held accountable or circumstances to be held accountable. Performance accountability is one of the keywords for the realization of good governance in the management of public organizations. The Decree of the Head of the State Administration Agency (LAN) No.239/IX/6/8/2003 concerning Guidelines for Compilation of Performance Accountability Reports for Government Agencies, explains that the performance accountability of government agencies is the embodiment of the obligation of a government agency to account for the success and failure of implementing the organization's mission in achieving goals and objectives that have been set through a periodic accountability system

Based on the Guidelines for Preparation of Government Agencies Performance Accountability Reports (AKIP) set by the Head of the State Administration Agency, the implementation of AKIP must be based on, among other things, the following principles:

1. There is a commitment from the leadership and all staff of the institution concerned.

2. Based on a system that can guarantee the use of resources consistently with the applicable laws and regulations.
3. Shows the level of achievement of the goals and objectives that have been set.
4. Oriented to the achievement of the vision and mission, as well as the results and benefits obtained.
5. Honest, objective, transparent, and accurate.
6. Presenting success/failure in achieving the goals and objectives that have been set.

2.4 Performance-Based Budgeting

Performance-oriented budgeting is a budgeting system that is oriented to the organization's output and is closely related to the vision, mission and strategic plans of the organization. Performance Budgeting allocates resources to programs, not to organizational units alone and uses output measurement as an indicator of organizational performance. In other words, Performance Budgeting is a budgeting technique based on consideration of the workload and unit costs of each structured activity (Bastian, 2010:202).

The implementation of performance-based budgeting is regulated in the Minister of Home Affairs Regulation (Permendagri) Number 13 of 2006 and amended again by Permendagri Number 59 of 2007 concerning regional financial management guidelines. In this regulation, it is mentioned about the preparation of Work Plans and Budgets for Regional Apparatus Work Units (RKA-SKPD). The existence of these RKA-SKPD means that the needs for performance-based budgeting and accountability have been fulfilled. Where performance-based budgeting demands optimal output or allocated expenditures so that each expenditure must be oriented or economic, efficient, and effective.

In the context of implementing a performance-based budget, there are elements that must be well understood by all parties related to the implementation of a performance-based budget. The main elements of a performance-based budget that must be understood according to the Badan Pendidikan dan Pelatihan Keuangan (2008:14-19) the elements of a performance-based budget are: performance measurement, rewards and punishments, performance contracts, external controls and internal, management accountability.

2.5 Financial Reporting Systems

In public sector organizations, there are two types of reporting known, namely performance reporting and financial reporting. Performance Reporting is a reflection of the obligation to present and report the performance of all activities and resources that must be accounted for. This reporting is a manifestation of the accountability process. Entities that are obliged to report on the performance of public sector organizations are the central government, regional governments, government work units, technical, Non-Governmental Organizations (NGOs), Political Parties, Foundations, and other social organizations. The report is submitted to the general public or the House of Representatives, so that the public, members of the House of Representatives (DPR) (users), constituents or assisted communities, can receive complete and sharp information about the performance of the organization's programs and their units. Meanwhile, financial reporting is a reflection of the financial position and transactions that have been carried out by a public sector organization within a certain period of time. (Bastian, 2010:297).

Belkaoui (2000) explains that accountability can be understood as the obligation of the holder of the trust to provide accountability, present, report, and disclose all activities and activities that are their responsibility to the party giving the trust. Each trust holder is

required to report publicly on what activities they have carried out, including the financial position of the agency.

According to the Badan Pengawas Keuangan dan Pembangunan (2011:13) stated, a good report is a report that must be prepared honestly, objectively and transparently. In addition, it is also necessary to pay attention to several characteristics of a good report such as relevant, timely, trustworthy/reliable, easy to understand (clear and accurate), in an attractive form (firm and consistent, not contradictory between sections), high comparability, testable (verifiable), complete, neutral, solid, and standardized (for routine ones).

III. Research Methods

The design of this study is a causal design and. Causal design is also often referred to as comparative causality, which is to investigate possible causal relationships in a way based on observations of existing effects and look for factors that may be the cause through certain data (Noor, 2014:39). The research method used in this study is a survey method. Survey research is a quantitative research method that aims to obtain data that occurred in the past or present regarding beliefs, opinions, characteristics, behavior and variable relationships, besides that survey research aims to test several hypotheses regarding sociological and psychological variables from a sample of a certain population, where the data collection techniques used either interviews or questionnaires are not in-depth and the research results tend to be generalized (Ivana, 2021). According Pandiangan et al. (2018) in Sugiyono, sampling is the selection of samples based on certain characteristics that are considered to have relevance to the characteristics of the population that have been known previously. Data collection from library research. Library research is a form of research that uses library facilities by examining theoretical discussions from various books, articles, and scientific works related to writing (Pandiangan, 2018).

This study uses a quantitative survey method by distributing questionnaires to the finance department in each regional unit of Bekasi Regency. The population in this study were 38 regional work units of the Government Agency Performance Units (SKPD) in Bekasi Regency. Determination of the sample with this study using random sampling method so that a sample of 125 people was obtained where 3 to 4 people were in the finance department in each regional unit in Bekasi Regency. The data were analyzed using descriptive statistical analysis and partial least squares analysis (SEM-PLS) with the smart PLS 3.0 software program.

IV. Results and Discussion

4.1 Descriptive Statistics

a. Performance-Based Budgeting

All the indicators of the performance-based budget variable, it shows that the highest score is on the indicator "Programs and activities must be presented clearly". This shows that the performance-based budget system in the Bekasi Regency Government shows that programs and activities that have been clearly presented are in the "high" category but have not been included in the "very high" category. This means that the programs and activities are not yet clearly stated.

The indicator with the second highest score is "It takes an information system capable of producing adequate information". This means that the importance of information systems in presenting accurate information. However, current conditions

indicate that the current information system within the Bekasi Regency Government is not adequate in providing the necessary information. This can be seen from the average score only in the "high" category.

Furthermore, the third to eleventh order of the indicators that make up the performance-based budget variable according to respondents, which in this case are personnel related to financial reporting, are as follows:

1. It is advisable to control the input and output.
2. The presentation of financing from each program, activity and output must be clearly illustrated.
3. Budget users are responsible for the output of both volume, processing time and quality.
4. It is necessary to apply incentives for performance achieved and penalties for failure.
5. Performance measurement should only measure strategic performance (key performance indicators).
6. Control is carried out before and after the budget is used.
7. It is necessary to implement efficiency (savings).
8. Budget users are given the freedom to perform and express their professionalism optimally.
9. There is a clear definition of the service contracted in the budget.

b. Financial Reporting Systems

All the indicators of the financial reporting systems variable, it shows that the highest value is on the indicator "Financial information in the resulting financial statements can be tested, understood by users and can be compared with the previous period's financial statements".

This illustrates that the financial reporting system shows that the financial statements that have been produced have provided information that can be tested and understood by users and can be compared with the previous period. However, this condition is not evenly distributed in all parts. This can be seen from the average score according to respondents who are still in the "high" category and not "very high". The second highest indicator is "Information has been presented to meet general needs and does not favor special needs". This shows that the financial statements that have been produced contain information that is impartial in nature. However, it is the same as the previous indicator that not all financial statements contain the desired information. The third to fifth indicators are as follows:

1. Financial reports produced by the agency, have provided information to correct past expectations.
2. Agencies publish financial reports and publish them to the public.
3. The financial statements have been presented in full in accordance with the Government Accounting Standards (SAP).

From the description above, it can be seen that the existing financial statements have not been presented in full and are not in full compliance with the Government Accounting Standards (SAP).

c. Performance Accountability

All indicators of the Government Agency Performance Accountability variable, it shows that the highest score is on the indicator "Reporting to superiors for every activity or program that has been implemented". This illustrates that the financial reports that have been produced are intended for superiors and the implementation of programs or activities is the highest according to the respondents.

The second indicator with the highest average score is the indicator “The activity or program that has been prepared has accommodated every change and demand that exists in the community”. This means that the financial statements that have been made have accommodated any changes and demands that exist in society. However, this is still not in the “very high” category.

The indicators in order from third to ninth are as follows:

1. The vision and mission of the program need to be determined according to the strategic plan of the organization.
2. The implementation of activities has been controlled with clear performance measures or indicators to assess the level of success of an activity or program.
3. The clarity of the budget targets of a program must be understood by all officials and leaders.
4. The Government Agency Performance Report (LAKIP) is used as a material for consideration in planning the next program or activity and published in accordance with the specified time.
5. Checking the running of the program.
6. Performance indicators need to be set for each activity or program.
7. There is a close relationship between the achievement of performance with programs and policies.

4.2 Hypothesis Test

The hypothesis in this study will be tested statistically using the bootstrap method. Hypothesis testing is done by looking at the path coefficient value which indicates the level of significance in hypothesis testing. The path coefficient score indicated by the T-statistic value must be greater than the one-way test t-table value (>1.64) with $\alpha=5\%$. The p-values must be below $=0.05$, so that the research hypothesis proposed in the study can be accepted.

Table 1. Hypothesis Test

Hypothesis		Path Coefficient	t-stat $>1,96$	p-value	Conclusion
1.	Performance-based budgeting has a significant effect on the performance accountability of Government Agencies.	-0.144	2.442	0.015	Accepted
2.	Financial reporting systems has a significant effect on the performance accountability of Government Agencies.	1.033	19.563	0.000	Accepted

Based on Table 1, results of this study indicate that performance-based budgeting has a significant effect on the performance accountability of Bekasi Regency Government Agencies. Financial reporting systems has a significant effect on the performance accountability of Bekasi Regency Government Agencies. Performance-based budgeting and financial reporting systems simultaneously have a significant effect on the performance accountability of Bekasi Regency Government Agencies.

V. Conclusion

The results of this study indicate that performance-based budgeting has a significant effect on the performance accountability of Bekasi Regency Government Agencies. Financial reporting systems has a significant effect on the performance accountability of Bekasi Regency Government Agencies.

Some recommendations that can be given in this research are as follows:

1. For further researchers, it is recommended to consider the use of other variables that are wider than the variables studied in this study.
2. The next researcher is expected to be able to carry out the direct interview method in order to get more accurate and precise information from the respondents.
3. For the Government Agency Performance Units (SKPD) can maximize the implementation of the performance of programs or activities that have been planned effectively and efficiently. In addition, the Government Agency Performance Unit (SKPD) can publish the Government Agency Performance Report (LAKIP) regularly and periodically every period to the public. Thus this will have an impact on the accountability of the performance of the Bekasi Regency Government Agencies.

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